Tennessee Comptroller of the Treasury

Jason E. Mumpower
Comptroller

April 1, 2021

Honorable Gary Cordell, County Mayor
Ms. Marianna Edinger, Director of Accounts & Budgets
and Honorable Board of Commissioners
Coffee County
1329 McArthur Street, Suite 5
Manchester, TN 37355

Dear Mayor Cordell, Ms. Edinger, and Members of the Board:

Thank you for your recent correspondence. We acknowledge receipt on March 26, 2021, of a request from Coffee County (the "County") for a report on its plan of refunding (the "Plan") for the County's proposed issuance of an estimated $11,415,000 Refunding Bonds, Series 2021. The refunding bonds will be issued in three series.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, enclosed is the Director's Report based upon our review of the County's Plan. The Plan, this letter, and the enclosed report should be made available on the County's website and must be presented to each member of the Council for review prior to the adoption of a refunding bond authorizing resolution.

If you should have questions or need assistance, please feel free to contact your financial analyst, Meghan Huffstutter, at 615.747.5379 or Meghan.Huffstutter@cot.tn.gov.

Very truly yours,

Betsy Knotts
Director of the Division of Local Government Finance

cc: Mr. Bryan Burklin, Assistant Director, Division of Local Government Audit
Ms. Lauren Lowe, Financial Advisor, PFM Financial Advisors LLC
Mr. Nick Yatsula, Financial Advisor, PFM Financial Advisors LLC
Mr. Lillian Blackshear, Bass, Berry & Sims

Enclosure: Report of the Director of the Division of Local Government Finance

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Report of the Director of the Division of Local Government Finance
Concerning the Proposed Issuance of
Rural High School Refunding Bonds, Series 2021A
Rural School Refunding Bonds, Series 2021B
General Obligation Refunding Bonds, Series 2021C
Coffee County, Tennessee

This report is being issued pursuant to T.C.A. § 9-21-903 and is based upon information as presented in a plan of refunding (the "Plan") received by our office on March 26, 2021, from Coffee County (the "County"). Our report provides information to assist the governing body in its responsibility to understand the nature of the refunding transaction, including the costs, risks, and benefits, prior to approving the issuance of the refunding bonds and is designed to provide consistent and comparable information for all local governments in Tennessee.

This report does not constitute approval or disapproval of the Plan or a determination that a refunding is advantageous or necessary nor that the refunded obligations should be refinanced or remain outstanding until their respective dates of maturity. This report does not address compliance with federal tax regulations and is not to be relied upon for that purpose. The County should discuss these issues with bond counsel. This report and the County's Plan must be presented to the governing body prior to the adoption of a refunding bond resolution.

Refunding Analysis

At the request of the Director of Accounts & Budgets, our office has reviewed the County's Plan, as required by TCA § 9-21-903, and provides the following analysis based upon the assumptions outlined in the Plan:

The County intends to issue by competitive sale, priced at a premium, an estimated:
- $1,200,000 Rural High School Refunding Bonds, Series 2021A (the "Series 2021A Bonds")
- $1,580,000 Rural School Bonds, Series 2021B (the "Series 2021B Bonds")
- $8,635,000 General Obligation Refunding Bonds, Series 2021C (the "Series 2021C Bonds")

The aforementioned bonds total $11,415,000 and will be known collectively hereinafter as the "Series 2021 Refunding Bonds".

The Series 2021 Refunding Bonds, collectively, will current refund the following outstanding bonds:
- $1,435,000 Rural High School Bonds, Series 2015B (the "Series 2015B Bonds"), dated December 10, 2015, maturing June 1, 2022 through June 1, 2031.
- $1,885,000 Rural School Bonds, Series 2015C (the "Series 2015C Bonds"), dated December 10, 2015, maturing June 1, 2022 through June 1, 2031.

- $8,071,393 General Obligation Bond, Series 2013B (the "Series 2013B Bonds"), dated August 28, 2014, maturing June 28, 2021 through August 28, 2052.
- $2,158,053 General Obligation Bond, Series 2013C (the "Series 2013C Bonds"), dated August 28, 2014, maturing June 28. 22021 through July 28, 2030.

The aforementioned bonds will be known collectively hereinafter as the "Refunded Bonds". The total amount of principal refunded is $13,549,446.

The Series 2015B Bonds will be refunded through the Series 2021A Bonds, achieving a net present value debt service savings of $130, 697 or 9.1%.
The Series 2015C Bonds will be refunded through the Series 2021B Bonds, achieving a net present value debt service savings of $172,114 or 9.1%.
The Series 2013B Bonds and Series 2013C Bonds will be refunded through the Series 2021C Bonds, achieving a net present value debt service savings of $1,258,539 or 12.3%.

- The County's objective for the refunding(s) is to achieve debt service savings.
- The net present value savings are $1,561,351 or 11.5% of the refunded principal amount of $13,549,446.
- The collective premium amount of $2,364,788 will be used to lower the total principal amount of debt outstanding from $13,549,446, to $11,415,000 which will result in overall cash flow savings.
- The final maturity of the Series 2021 Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- The proposed structure of the Series 2021 Refunding Bonds provides for level debt service each fiscal year and is not balloon indebtedness as defined in T.C.A. § 9-21-133.
- Estimated costs of issuance are summarized below:

	Amount	**Price per $1,000 Bond**
Estimated Underwriter's Discount (TBD)	$ 68,490.00	$ 6.00
Financial Advisor (PFM)	25,000.00	2.19
Bond Counsel (Bass, Berry & Sims)	25,000.00	2.19
Rating Agency	20,000.00	1.75
Miscellaneous	7,250.00	0.64
Total Cost of Issuance	$ 145,740.00	$ 12.77

Changes to the Structure of the Repayment Schedule

If the structure is revised, the County should determine if the new structure complies with the requirements of T.C.A. § 9-21-133 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the County must submit a Plan of Balloon Indebtedness to the Director of the Division of Local Government Finance for approval prior to the County adopting the resolution authorizing the issuance of the debt.

Financial Professionals

The Plan was prepared with the assistance of the County's financial advisors, PFM Financial Advisors, LLC. Financial advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests.

The Municipal Securities Rulemaking Board (MSRB) establishes rules and notices that municipal advisors and underwriters must follow when engaging in municipal securities transactions and advising investors and local governments. To learn more about the obligations of the County's underwriter and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Plan Assumptions

The assumptions of the Plan are the assertions of the County. An evaluation of the preparation, support and underlying assumptions of the Plan has not been performed by our office. This report provides non assurances of the reasonableness of the underlying assumptions. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale. The Series 2021A Refunding Bonds may be issued with a structure different from that of the Plan.

Debt Management Policy

The County has adopted a debt management policy and has indicated in its Plan that the proposed refunding transaction complies with the County's policy.

Requirements After the Refunding Bonds Have Been Issued

We have included a listing of certain compliance requirements your local government will be responsible for once the bonds are issued. The listing is not all inclusive and you should work with your municipal advisor and bond counsel to ensure compliance with legal and regulatory requirements related to the proposed refunding.

Effective Date for this Report

This report is effective for a period of ninety (90) days from the date of the report. If the refunding transaction has not been priced during this ninety (90) day period, a new plan of refunding, with new analysis and estimates based on market conditions at that time, must be submitted to our office. We will then issue a report on the new plan for the County's governing body to review prior to adopting a new refunding bond authorizing resolution.

Betsy Knotts
Director of the Division of Local Government Finance
Date: April 1, 2021

Enclosure: Requirements After Debt is Issued

Jason E. Mumpower
Comptroller

Requirements After Debt is Issued

- **Annual Budget Approval**
  Your local government will be subject to an annual budget approval process for the life of the outstanding debt as required by T.C.A. § 9-21-403. Please refer to our online guidance at: tncot.cc/budget.

- **Debt not Refunded**
  If all the loan agreements are not refunded as a part of the proposed refunding transaction and the County wishes to refund them in a subsequent bond issue, then a new plan must be submitted to our office for review.

- **Debt Management Policy**
  Your local government should regularly review and, if necessary, amend its debt management policy. Please submit any amended policy to our office immediately upon adoption. Guidance concerning debt management policies is available at: tncot.cc/debt-policy.

- **Required Notification**
  We recognize that the information provided in the Plan submitted to our office is based on preliminary analysis and estimates and that actual results will be determined by market conditions at the time of sale. However, if it is determined prior to the issuance of the debt, that the actual results will differ significantly from the information provided in the submitted Plan and the County decides to proceed with the issue, the County's governing body and our office should be notified after the sale by the local government's Chief Executive Officer or the Chief Financial Officer regarding these differences. The Chief Executive Officer must state that they were aware of the differences and determined to proceed with the issuance of the debt. Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

  (1) An increase in the principal amount of the debt issued;
  (2) An increase in costs of issuance; or
  (3) A decrease in the cumulative savings or increase in the loss.

  The notification must include an explanation for any significant differences and the justification for a change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the County's governing body and our office with the required filing of the Report on Debt Obligation.

- **Report on Debt Obligation**
  Pursuant to T.C.A. § 9-21-134, a Report on Debt Obligation shall be completed and filed with the governing body of the local government no later than forty-five (45) days after the issuance of the

debt, with a copy (including attachments, if any) filed with the Division of Local Government Finance. The report and instructions may be accessed at: tncot.cc/debt-report.

- **Rule 15c2-12 of the Securities Exchange Act**
  Local governments that have issued municipal securities on or after February 27, 2019, are required to report certain information related to the issuance of financial obligations. Information on the reporting requirements is available on the Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access EMMA® website: emma.msrb.org.